Industry to see some bright spots in '89

CHICAGO — Although 1989 will be a dire year for the food-service business as a whole, several niches will find conditions changing at least slightly for the better, according to one of the industry's leading sales forecasts.

"We don't see an era of mass market opportunity," said Robert Goldin of Technomic Inc., the Chicago-based research company that prepared the International Foodservice Manufacturers Association's highly regarded 1988 Forecast & Outlook. "Instead, what we see are pockets of opportunity."

For instance, food-service outlets housed in retail stores will experience faster sales growth in 1989 than they did in 1988, according to Technomic, which aired its predictions during a one-day seminar here.

Supermarket delis will lead the charge, with real sales expected to grow by 5 percent next year, after hitting the $1.2 billion mark in 1988, Technomic projected.

Commercial cafeterias will continue to struggle next year, according to the forecast, which predicted a 1-percent increase in "real" or inflation-adjusted sales for the segment. But Technomic noted that the expected rise, albeit paltry, compares favorably with the 0.5-percent uptick projected for 1988.

Similarly, although hotel food-and-beverage operations will fail to boost customer traffic during 1989, that flatness marks an improvement compared with the situation in past years, when real sales declined by as much as 3.9 percent, Technomic said.

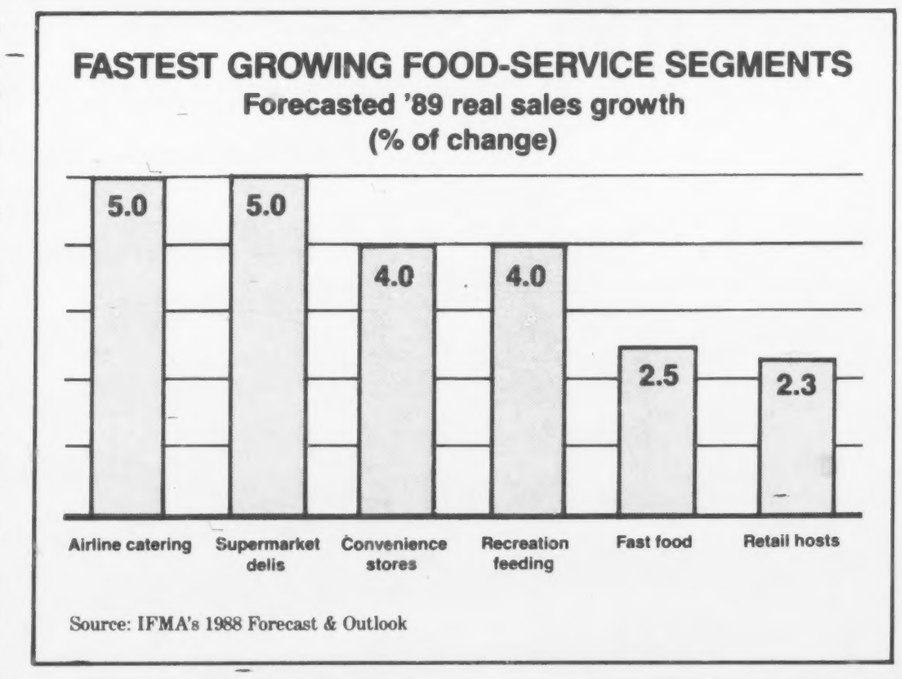
"Restaurants and lunch rooms," a catch-all statistical category that encompasses virtually all commercial eating places except bars, fast-food places, and in-store outlets, will remain in a recession next year, Technomic said. In real sales the broad segment will suffer a decline of half a percentage point, according to the research house.

But there again, Technomic observed, the damage will be less severe than the 1-percent drop in real sales projected for 1988.

"1986 and '87 were robust years for this segment," noted Technomic's Ralph Rush. "In 1988 the bottom appears to have fallen out."

The segment that will post the largest increase in real sales next year is airline catering, which will push its intake upward by 5 percent, Technomic forecast.

"We're seeing more money being spent on food" by the airlines, Rush said. Technomic specified that the average food expenditures per airline passenger was $4.21 in 1987, compared with the prior year's mean of $3.94.



Source: IFMA's 1988 Forecast & Outlook

'We don't see an era of mass market opportunity. We see pockets of opportunity.'

But he also observed that this year the segment grew at a faster rate than last year, with real sales projected to jump by 6.8 percent.

Similarly, bowling alley snack bars, stadium hot-dog vendors, and other feeders housed in recreational facilities will drive up real sales by a robust 4 percent in 1989, according to the Technomic forecast. Yet the market is headed toward a 5-percent increase for 1988, the data showed.

"1988 has been a blockbuster year at 5 percent," Rush commented.

In-store feeders, or what Technomic categorized as "retail hosts," have ample reason for celebrating during the coming New Year's Eve, according to Technomic.

The segment "had been growing at a fairly rapid clip," said Goldin, a senior principal of Technomic. "We're seeing a slowdown in 1988."

But, after seeing real sales growth slide from 3 percent in 1987 to 1.7 percent this year, the pace will quicken to 2.3 percent in 1989, Technomic said.

Included in the "retail hosts" classification are convenience stores, which in recent years have muscled their way into fast feeders' turf.

Half of the more than 67,000 convenience stores in operation today are equipped to cook on premises, and 24 percent feature delis, according to Goldin.

Those places will boost their food-service sales in real terms by 4 percent in 1989 after growing at a 3-percent rate this year, according to the forecast.

"A number of the major [convenience-store] chains have had very flat food-service sales," Goldin said.

The sales pace is predicted to quicken in 1989. However, the accelerated rate will still fail to match the 7.1-percent revenues jump posted by convenience stores in 1986, according to Technomic.

It noted that supermarket delis already account for 3.5 percent of a typical host store's sales. About 14 percent comes from food service, with the bulk attributable to such items as cold cuts, frozen pizzas, or cheese.

"The excitement in supermarket food service is coming from delis, not from the supermarket restaurant," Goldin said.

The research company based its projections and forecasts on estimates of how much food will be sold to restaurants by distributors.

The analysis calls for food-service sales to increase overall by an anemic 1.2 percent, compared with a projected 1988 increase of 1.5 percent. Last year the industry's sales rose 3.4 percent, following a 2.7-percent upswing in 1986.

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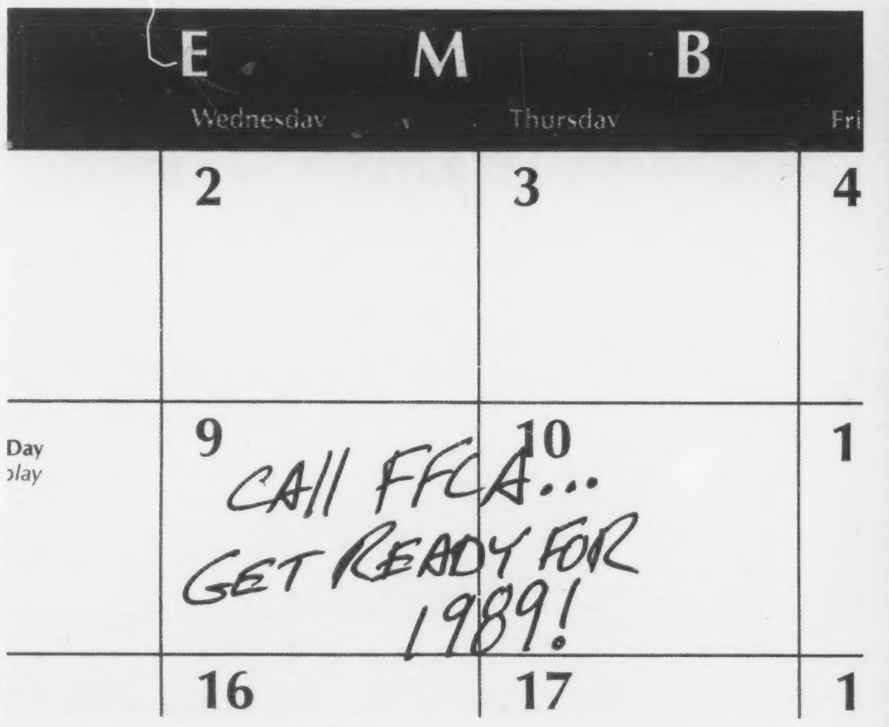

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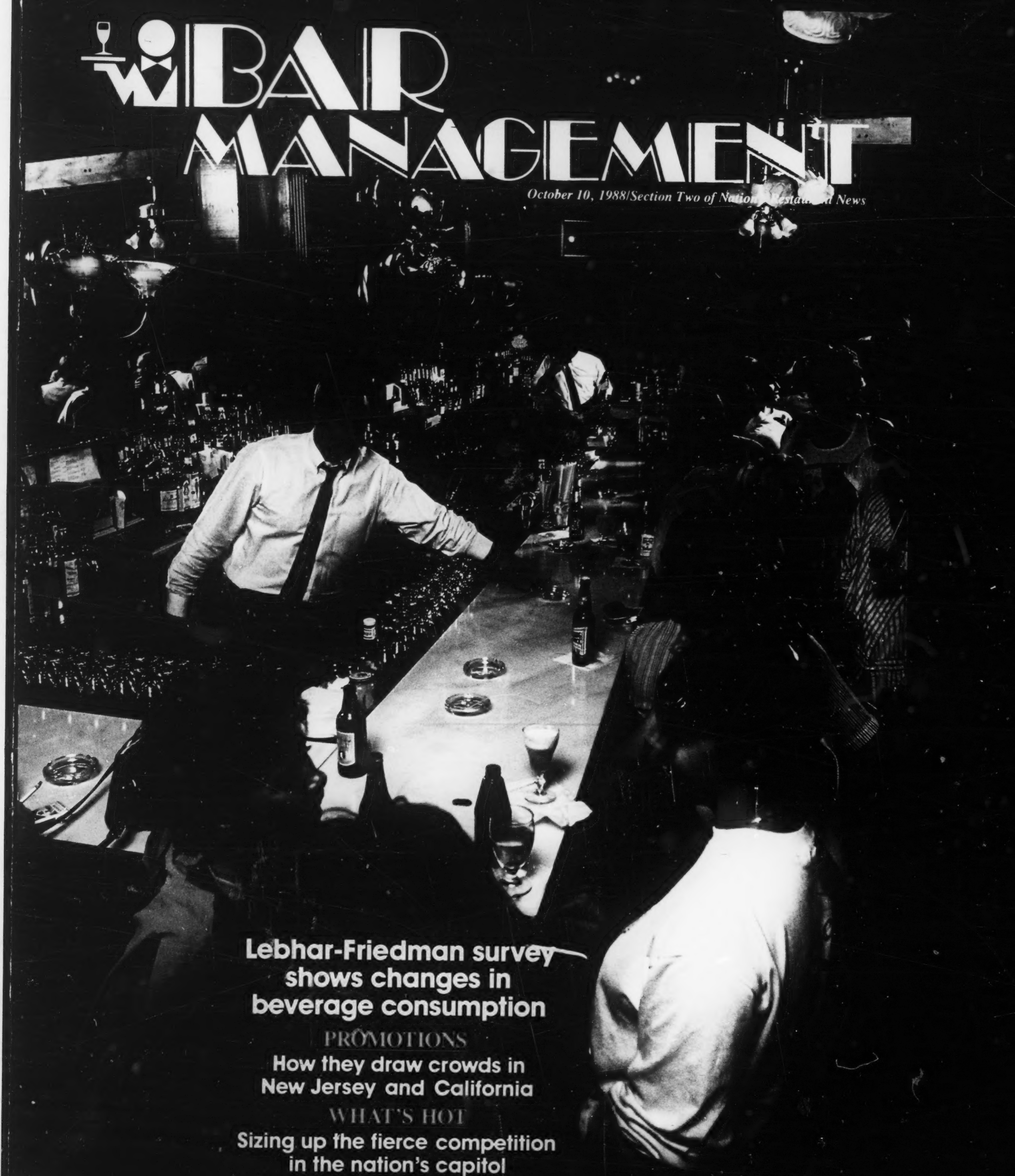
BAR MANAGEMENT

October 10, 1988/Section Two of National Restaurant News



Lebhar-Friedman survey shows changes in beverage consumption

PROMOTIONS

How they draw crowds in New Jersey and California

WHAT'S HOT

Sizing up the fierce competition in the nation's capitol

TRENDS

When day is done, it's vodka or wine

After hours the favorite drink for bartenders is vodka, closely folowed by wine, according to a random national survey conducted by Stolichnaya. The tally showed 25 percent of respondents enjoying vodka at home, 24 percent favoring wine, 15 percent taking beer, 10 percent drinking a sparkling wine, and the remainder relaxing over rum and scotch.

When respondents were asked to name their favorite cocktail, the voting was diffused. The largest group, 15 percent, favored the Screwdriver. The Bloody Mary was the second most-favored cocktail, with vodka martinis and rum and cola tied for third place.

Universities honored for alcohol awareness

The Adolph Coors Co. has presented five scholarships of $1,000 each for excellence in alcohol-awareness education to five universities.

The winning schools were the University of New Orleans, Frostburg State University in Maryland, Pennsylvania State University, the University of Missouri at Columbia, and the University of Southern Mississippi.

Drinking costs less at private clubs

Sales of beverages account for about a third of total gross profits in the nation's country clubs and city clubs.

A survey by the National Club Association showed that 32 percent of the average country club gross profit of $572,000 came from beverages in 1987, while in city clubs that figure amounted to 39 percent of an average gross profit of $890,000.

The survey also found that clubs charge much less than their more commercial competition does and that the best buys were at country clubs.

Spirits consumption dip continues, but slows

Shipments of distilled spirits fell 1.9 percent, to 164 million cases in 1987, according to Impact Databank figures. Total shipments were off less precipitously than in 1986, when movement declined 6.6 percent, to 168 million caes.

Wine shipments were off 1.8

percent in 1987, to 192.3 million cases, against 195.8 in 1986 and the all-time high of 220 million cases in 1982.

Wine figures showed a continued upgrading of consumer taste as sales of jug wines fell 31 percent while sales of varietals moved up 19 percent.

Soft dollar causes hard problems for the French

Sales of French table wines in the U.S. fell nearly a third in 1987. Meanwhile, exports of California wines were up nearly 100% in the first quarter, according to the Lempert Report.

WHO'S DRINKING WHAT AND AT WHAT AGE

The latest Share of Intake Panel study shows that the 30-to-39 age group leads the rest of the nation in consumption of alcoholic beverages.

The study conducted by NFO Research Inc. shows the 60- and-over age group as the heaviest consuming group for distilled spirits.

The 30-39 age group leads all other age brackets in consumption of wine, beer and wine coolers.

1987 ALCOHOLIC BEVERAGE CONSUMPTION BY AGE GROUP

Age Group	Total Alcoholic Beverages	Wine	Distilled Spirits	Malt Beverages	Wine Coolers
Under 20	0.5%	0.4%	0.4%	0.5%	1.0%
20-29	22.9%	13.0%	13.5%	24.2%	28.0%
30-39	33.2%	29.7%	24.0%	34.0%	46.2%
40-49	15.0%	24.4%	18.5%	13.4%	14.2%
50-59	13.2%	8.6%	10.0%	14.8%	6.3%
60 & over	15.2%	23.9%	33.6%	13.1%	4.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NFO Research Inc.'s Share of Intake Panel (SIP) Study

Credit: NFO Research Inc., Share of Intake Panel Study

A SPIRITED YEAR FOR BEVERAGE SALES

Imported vodka and imported beers are top sellers; Light beer continues to be strong; survey illustrates increased preference for premium well and general trend toward quality brands in all categories.

Beer and wine sales are up, and spirits are mixed—that's how leading chain and independent operators see their business today, as revealed in a special Lebhar-Friedman Research study of more than 200 chain and independent establishments.

The respondents, chosen from top-grossing operators in the 1987 Lebhar-Friedman directories of chain and high-volume independent restaurants, report increases in only one major spirits category, imported and domestic vodka.

Nearly one-third (32 percent) of respondents say their alcoholic beverage sales had increased during the last year, whereas 39 percent indicate it had stayed the same, and 28 percent report an overall decrease.

On average, alcoholic beverages account for 28 percent of total dollar volume for food establishments covered by the survey.

Independents show biggest gains

Independents report an average increase of 16 percent in total alcoholic beverage sales compared with 8.5 percent for chains. Those independent operators who say business was off, however, had an average drop of 17 percent vs. 9.5 percent for chains.

Respondents generally say spirits accounted for the largest part—39.5 percent—of total alcoholic beverage volume, followed by beer, 32.9 percent, and wine, 27.6 percent.

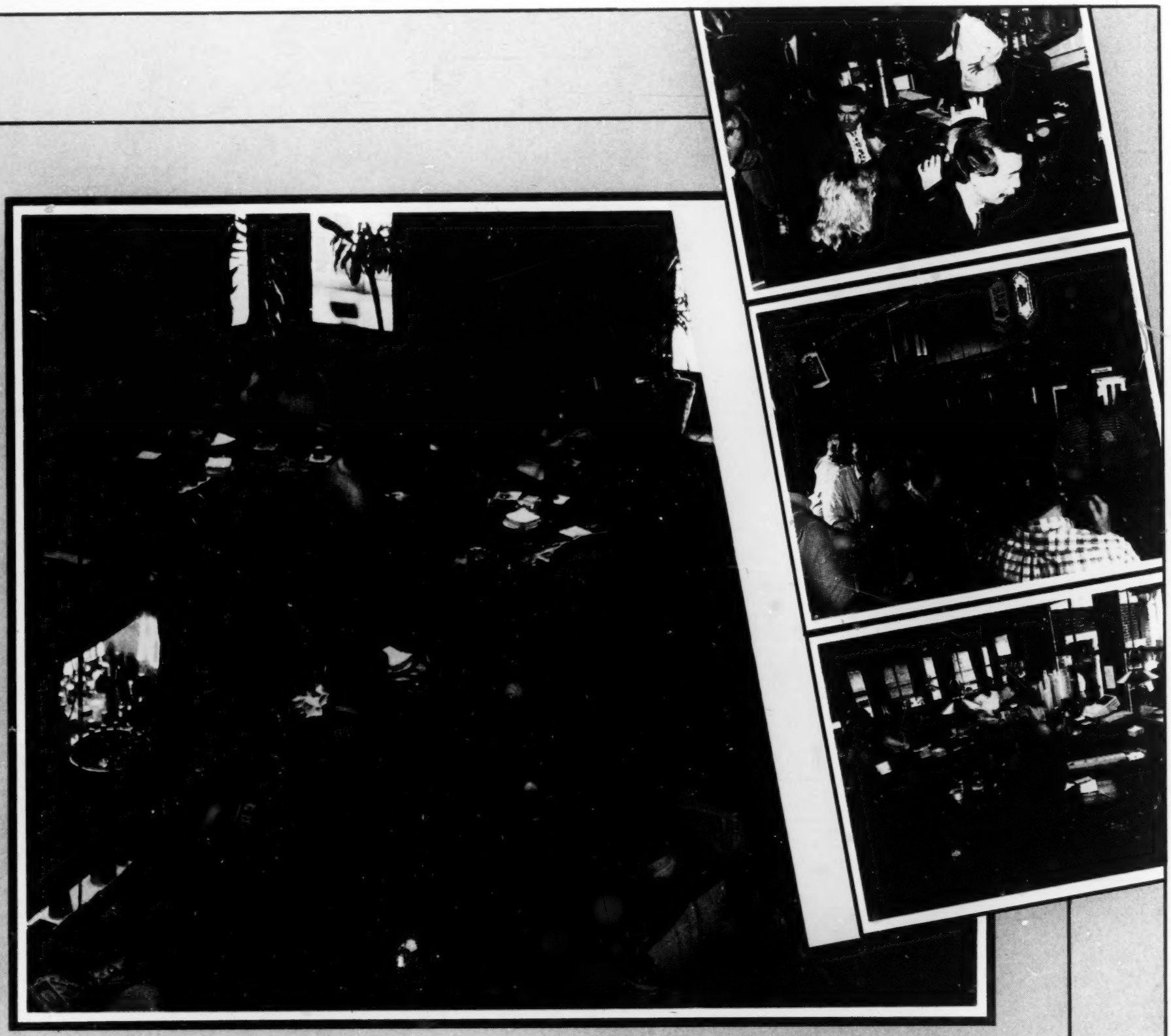
On the average, operators worked on a 69-percent margin for spirits, 61 percent for beer, and 57 percent for wine, with independents generally working on higher margins than do chain operators in all three areas. Independent white tablecloth operators, for example, had average margins of 143 percent for spirits, 110 percent for beer, and 88 percent for wine.

More than 90 percent of all establishments report they have trained employees in regard to patron intoxication, while 62 percent offer special programs for customers, such as designated drivers or cab rides for inebriated patrons.

Happy Hour still strong

The Happy Hour remains a favorite promotion, with 41 percent of establishments using the device. It is particularly favored by hotel and motel operators, with three out of four respondents having Happy Hours.

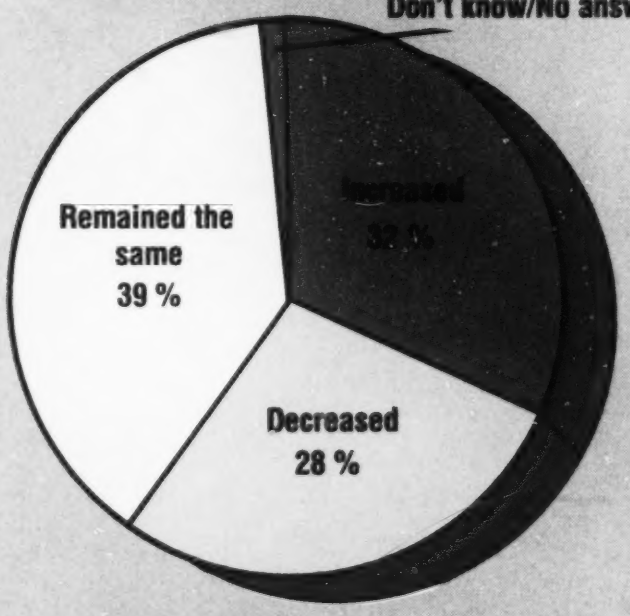
Free hors d'oeuvres (70 per-



PERCENT OF ALCOHOL SALES ATTRIBUTED TO:

Source: Lebhar-Friedman research

CHANGE IN TOTAL ALCOHOLIC BEVERAGE SALES IN THE PAST 12 MONTHS



Source: Lebhar-Friedman research

MARKET TRENDS

cent) and cut-price drinks (67 percent) were the most frequently mentioned complements to Happy Hours. Chains, to an overwhelming degree compared with independents, favor free nibbles (75 percent vs. 55 percent) and reduced-price food (38 percent vs. 5 percent).

Emphasis on quality brands

The survey also confirms industry reports of a strong swing to premium and quality brands in all areas. Lebhar-Friedman researchers found that more than a third of all respondents (36 percent) who serve spirits offer a premium well.

The trend is most popular among chain operators, with 39 percent boasting a premium well compared with 33 percent for independents.

Here are the other key points of the survey.

Vodka sales on upswing

While sales of most types of spirits had declined during the past year in amounts ranging from 8 percent for rum to 38 percent for Irish whiskey, 43 percent of food-service operators say their sales of imported vodka were up 19 percent. Nearly a third (31 percent) report a 3-percent increase in domestic vodka sales.

The downturn in the rum and tequila categories was unexpected. In recent years white goods have been the sparkling segments of the liquor business, and the decrease, while small, could signal more

SALES FOR THE PAST 12 MONTHS

	Available In Establishments That Serve Spirits	More	Same Amount	Less	Net DK/NA	Net Change
	%	%	%	%	%	%
Bourbon	100	12	45	40	2	−28
Gin	100	23	44	31	2	− 8
Scotch	100	13	46	38	2	−25
Rum	100	20	49	28	3	− 8
Tequila	100	23	46	29	2	− 6
Blended Whiskey	99	8	48	41	3	−33
Cognac/Brandy	99	16	44	38	2	−22
Cordials/Liqueurs	99	15	50	32	3	−17
Canadian Whiskey	98	10	52	36	2	−26
Domestic Vodka	98	31	39	28	2	+ 3
Irish Whiskey	97	9	42	47	3	−38
Schnapps	97	27	35	36	2	− 9
Imported Vodka	97	43	30	24	2	+19

Source: Lebhar-Friedman research

TOP BRANDS IN THE PREMIUM WELL

	Total %	Chains %	Independents %
Bacardi *Rum*	67	72	62
Canadian Club *Canadian Whiskey*	63	66	61
Jose Cuervo *Tequila*	60	65	54
Jameson *Irish Whiskey*	54	47	61
Dewar's *Scotch*	43	40	46
Jack Daniels *Bourbon*	42	56	26
Seagram's 7 *Blended Whiskey*	40	42	38
Beefeaters *Gin*	39	39	38
Absolut *Vodka*	35	30	40
Courvosier *Cognac/Brandy*	35	34	37
Peach *Schnapps* (unspecified)	26	19	33
Amaretto Di Saronno *Liqueurs*	13	15	12

Lebhar-Friedman research

MARGIN ON ALCOHOLIC BEVERAGES

		CHAINS			INDEPENDENTS	
	Grand Total	Total	Family Rest./ Coffee Shop	Hotel/ Motel	Total	White/Tablecloth
Everyday margin received for...	%	%	%	%	%	%
Spirits	69	59	40	49	81	143
Beer	61	57	60	43	66	110
Wine	57	53	59	43	61	88

Lebhar-Friedman research

MARKET TRENDS

changes in American habits.

Another surprise came in schnapps sales, which had recently been booming. Respondents show an overall drop of 9 percent in that category, with 36 percent of operators reporting a decline, 27 percent reporting an increase, and 35 percent reporting no change.

Despite the drop, it's interesting to note that the peach-flavored brand that sparked the schnapps explosion in the early 1980s continues strong, with DeKuyper Peachtree listed as the best-selling variety in the category by all types of establishments.

Light beer gaining

The public's shift toward light beer continues to be strong, with 56 percent of establishments reporting increased sales over the past 12 months. The trend is most noticeable among chain white-tablecloth operations, where seven of 10 respondents say their light beer sales have increased.

Overall, more operators (40 percent) report an increase in domestic beer sales, while 14 percent say they were down.

Budweiser, according to 47 percent of respondents, is the best-selling domestic brand. Heineken was named by 42 percent of respondents as the top selling import.

The other top-selling domestics are, in this order: Miller Lite (21 percent), Michelob (10 percent), Miller High Life (5 percent), and Bud Light (5 percent).

Trailing Heineken among the imports are Corona (26 percent), Amstel Light (7 percent), Becks (7 percent), and Molson (5 percent).

Corona, more popular among younger drinkers, outsells Heineken in chain operations, 35 percent compared with 16 percent, while Heineken does better among independents, 51 percent vs. 34 percent.

In both types of establishments, Heineken is the favorite of patrons age 35 and over, while Corona was chosen most frequently by patrons under 35.

Domestic beer accounts for 63.5 percent of all beer sold; imported beer, for 36.5 percent. About 50 percent of operators also sell one or more non-alcoholic beers.

Wine sales climbing

Operators report dramatic gains in wine volume, with domestic white wine and blush or rosé leading all categories. Respondents claim increases of approximately 50 percent for both those types and a hike of 22 percent for both domestic red and Champagne or sparkling wines.

Training in wine appears to be on the increase, with four out of five establishments reporting special training in handling wine offered to the staff. The majority, 76 percent, take advantage of educational programs offered by vintners and distributors.

Nearly three out of four establishments now offer premium wine by the glass and report an average pour of 6.2 ounces.

Other key findings

- Nearly four out of five establishments now serve bottled water, with 40 percent of operators reporting increased sales over the past 12 months.
- Non-alcoholic drinks, mocktails and the like, are available in 72 percent of the operations surveyed, and 24 percent of operators report increased sales in the last year.
- Sixty-eight percent of those surveyed offer frozen specialty drinks, and 35 percent report increased sales.
- More than one-third, 37 percent, of respondents serve brunch.
- Champagne is the most frequently served (49 percent) alcoholic beverage at brunch. However, half of those offering brunch do not include any alcoholic beverages as part of the program.
- While operators usually limit patrons to one Bloody Mary or Screwdriver at brunch, 50 percent of all establishments that serve Champagne or sparkling wine with brunch offer patrons unlimited amounts of that beverage.
- Two-thirds of establishments serving wine also serve coolers, and they report a 12-percent increase in cooler sales over the past 12 months.

SURVEY METHODOLOGY

Results are based on 201 telephone interviews of leading dollar volume chain restaurants and high-volume independents from June 2 to June 20, 1988.

Job titles of respondents included vice president in charge of food and beverages, vice president for operations, owners, partners, managers, and bar managers.

All establishments were screened to ensure they served at least one type of alcohol, either wine, spirits, or beer. Completed interviews were recorded in the following four food-service operation classifications.

NUMBER OF COMPLETED INTERVIEWS

	Chain	*Independent*
Dinner house	39	41
White tablecloth	30	30
Family restaurant/ coffee shop	20	20
Hotel/motel	21	-
TOTAL	91	110

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Equipment roundtable: Who bears the burdens?

Focus section follows page 34

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Judges check out the cold plate presentation at the Culinary Olympics.

Swiss take top honors at Culinary Olympics

By Ken Frydman

FRANKFURT, West Germany — The five-man Swiss national team edged the West German and American squads to become "Weltmeister," or world champion, at the often-chaotic International Culinary Olympics here.

At the 18th quadrennial games, the Swiss contingent compiled 500 overall points by winning two of four categories — the cold-show platters and pastry — and capturing second in hot-food-displayed-cold.

Runner-up West Germany finished with 496.11 overall points, taking the hot-food-displayed-cold competition and placed second to the United States in the international restaurant hot food match-up.

The U.S., which wrapped up third with 491.04 points, won the international hot-food competition and finished second behind the Swiss in both cold platters and pastry.

Meanwhile, defending champion Canada finished out of the money, managing third-place finishes in both cold-show platters and hot-displayed-cold plates.

The remaining 26 national teams won gold medals for their efforts.

And in regional competition, the 10-member U.S. squad collected 15 gold medals to finish first.

Meanwhile, the best-laid plans of organizers, participants, and spon-

*(See **CULINARY**, page 4)*

Levin gets helm at Burger King

Franchisees see signal chain will be sold

By Peter J. Romeo

MINNEAPOLIS — Pillsbury Co. has stationed an experienced deal maker at the helm of Burger King amid mounting indications that the chain will soon fall under new ownership in one way or another.

Levin

Mergers-and-acquisitions expert Jerry Levin replaced Charles Olcott, a hesitant former accountant who resigned under intense pressure from franchisees for swift, fundamental changes in the fast feeder's direction.

Licensees expressed little support for Olcott's successor, whose restaurant experience is limited to a three-month stewardship of Pillsbury's two struggling dinner-house operations, Steak and Ale and Bennigan's. Levin remains chairman of those businesses.

Yet franchise operators voiced strong hopes that Levin's succession to the Burger King throne portends a sale of the 5,000-unit chain, which has floundered under Pillsbury's direction for the last three years.

Licensees reported that a militant faction recently met in Phoenix, Ariz., to explore ways of fomenting a change in Burger King's ownership. And the chairman of the chain's franchise advisory committee has stated that the organization would stonewall an attempt

*(See **BK**, page 4)*

Morris-Kraft deal jolts food business

By Marilyn Alva

NEW YORK — Philip Morris' bid to acquire Kraft Foods for a mind-boggling $11.5 billion — and Kraft's $12.5 billion counteroffer to remain independent — is the most jolting example of the intense market share battle heating up in the maturing food industry.

Bernstein on mega mergers

Page F3

But food-service operators, distributors, and analysts view the trend of the big gobbling up the not so big largely as a positive force helping to propel the industry into a more sophisticated, efficient, and global future.

The Philip Morris offer is one of the biggest in a skein of mega-deals rocking

*(See **MORRIS-KRAFT**, page 94)*

Local questions loom at polls

Millions of dollars at stake on state, local ballots nationwide

By Alan Liddle

George Bush and Michael Dukakis won't be the only ones anxiously awaiting election returns next week.

Restaurateurs nationwide stand to gain or lose millions of dollars Nov. 8 through the passage or defeat of local ballot measures.

In California, for example, approval of Proposition 95 would force health inspectors statewide to issue tickets to food-service operators, grocers, and landlords for even the most minor health and safety code violations. The projected $50 million to $90 million in fines generated annually by such an aggressive enforcement policy would fund a new program to feed and shelter the state's homeless.

Opponents — including the California Restaurant Association and several health inspectors — claim that the proposition unfairly places the burden of a societal problem on the backs of a few businesses and would create an adversarial relationship between restaurateurs and inspectors.

If Initiative 518 passes in the state of Washington, restaurateurs there will face not only a 50-cents-an-hour hike in the minimum wage, to $3.85, in 1989 and a further increase,

*(See **OPERATORS**, page 94)*

FOOD WATCH

Leeks spring up at Fiasco's

NEW YORK — The onionlike leek is proving a versatile flavor enhancer in soups, pastas, seafood, veal, and chicken dishes at Fiasco, a lively Italian restaurant here.

Fiasco's Sebastian Santangelo is utilizing the winter vegetable in his hearty appetizer Crespelle di Pesce, a melange of shrimp, scallops, and crab, sautéed with Cognac and cream and wrapped in a homemade crepe. In the Linguini Napoletano, chopped leeks with black olives and sun-dried tomatoes grace a bed of pasta in white wine sauce. And calzone at this restaurant contains crabmeat, scallops, ricotta, and leeks.

— Ken Frydman

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NEWS DIGEST

Associated Host suitor seeks restaurant 'partner'

BEVERLY HILLS, Calif. — The Hong Kong company that has launched a takeover of Associated Host, the hotel and dinner-house operator here, said it plans to find a "partner" that could purchase all or most of Associated's restaurant equity.

Discussions have been held with "a number of prospective partners for this purpose," but no deals have been struck, said Associated's would-be buyer, Industrial Equity Ltd.

The company, which is controlled by New Zealand investor Sir Ronald Brierley, has offered $41.2 million for the 81 percent of Associated it does not already own.

Associated operates 59 Bombay Bicycle Club and Smuggler's Inn dinner houses.

Patout opens restaurant in Big Easy's French Quarter

NEW ORLEANS — Cajun chef Alex Patout has opened a new restaurant in the French Quarter here after a trying year in which he either closed or ceded control of other restaurants bearing his name.

The new place, called Alex Patout's Louisiana Restaurant, will feature specialties of the area.

In the last year two Patout's restaurants — one here and one in Dallas — have been closed for financial reasons. Patout, 35, has severed ties with another Patout's in New Orleans and a unit in Los Angeles. He has declined to say why he ceded control of those outlets to his family.

Despite softening traffic, McDonald's net jumps 17%

OAK BROOK, Ill. — Despite a decline in McDonald's customer counts during late summer, the fast-food giant nevertheless managed to boost its net income for the third quarter by 17 percent, to $191.3 million.

Revenues for the July-through-September period were $1.46 billion, up 11 percent, the company said.

McDonald's inflation-adjusted, per-unit sales declined as much as 3 percent from year-ago levels during July and August, according to financial analysts.

Pizza Hut launches test of new 'lovers' version

WICHITA, Kan. — Pizza Hut is building its "Lovers" line with a test of a Pepperoni Lovers pizza in company stores in Roanoke, Va., and Albuquerque, N.M.

The test follows by several months the launch of a Cheese Lovers pizza in 2,600 company stores and the recent addition of a Meat Lovers pizza.

"We found that consumers want more variety and more of what they like," said Michael McKee, senior director of new-products marketing.

The pizzas are available in three crusts — thin, hand-tossed, and pan — and in three sizes. The prices range from about $7.59 to $12.99 per pie.

McD hypermarket unit features whipped drink

HOUSTON — A McDonald's unit in a new "hypermarket" shopping complex here is featuring a frothy, whipped-type drink similar to Orange Julius' signature beverage.

The treat is available in four flavors and sells for 79 cents.

The McDonald's unit is located in the new Auchan hypermarket, which also houses Taco Bell, Pizza Hut, and TCBY outlets.

Stephen Marcus succeeds dad as Marcus Corp. chief

MILWAUKEE — Stephen Marcus has succeeded his father, Ben, as chief executive of Marcus Corp., operator of 103 Big Boy coffee shops and a number of Budgetel motels.

The elder Marcus remains chairman, and his son retains the post of president.

Ramada airs plans for selling hotels, Marie Callender

PHOENIX — Ramada Inc. has aired plans to sell its Marie Callender Pie Shoppes chain and three lodging systems in what appears to be an attempt to dodge a takeover by a rival hotel operator, the Pritzker family of Chicago.

Ramada did not identify the potential buyers of its hospitality holdings and noted that the planned transactions could be scotched in a number of ways.

After the divestitures Ramada would consist solely of a gaming company, with casinos in both Nevada and New Jersey.

The restructuring would enhance the value of Ramada common shares, since proceeds would be distributed to current stockholders.

Richard Snell, Ramada chairman, estimated that shareholders would receive a payment of at least $7 per issue in cash and a "share-price-enhancement ticket" worth at least $10.

"The company will be able to focus its energies on the gaming business, which has been performing very well," Snell said.

The Pritzkers, which hold a 7.2-percent stake in Ramada, have offered to buy the rest of the company for $10 per share, or $371.4 million in the aggregate. Ramada's board rejected the bid as "grossly inadequate."

According to analysts, the major enticement for the Pritzkers is Ramada's gaming business.

The company's lodging holdings include Ramada Inns, Rodeway Inns, and Ramada Renaissance Hotels. The three chains number 800 properties.

— Peter J. Romeo

Ryan's shelves breakfast because of employee drain

GREER, S.C. — Ryan's has discontinued its test of breakfast service on account of the "tremendous strain placed upon our management and hourly employees," the 118-unit steak-and-buffet chain recently explained to all of its shareholders.

"Test results were successful," but the payback did not justify the labor input, Ryan's noted in its third-quarter earnings statement.

The company said it would continue to test buffets of Mexican and Italian foods.

Rax adds Chinese offerings to themed dinner buffet

COLUMBUS, Ohio — Rax Restaurants Inc. will be adding an Oriental touch to its internationally themed dinner bar.

Customers at the fast feeder will confront an array of Chinese entrées and vegetable dishes.

Accompanying the current tasty Mexican entrées and Italian pastas offered by the dinner bar will be such items as broccoli beef, Szechuan beef, chicken chow mein, Oriental rice, pineapple chunks, water chestnuts, egg rolls, as well as fortune cookies.

As an in-store promotion for the Chinese dinner bar menu additions, all 520 Rax restaurants will be decorated in an Oriental motif. The decor will include fans, lanterns, wind socks, and kites. Rax crew members, attired in costumes, will bang a gong every time that a customer orders the dinner bar.

Friday's, Country Kitchen, Radisson pool purchases

MINNEAPOLIS — Carlson Cos.' Radisson, T.G.I. Friday's, and Country Kitchen chains are planning to combine their food purchases in Georgia and Florida to cut costs.

"The potential of that approach is definitely 2 to 3 percent savings," said Don Clawson, vice president of food and beverage at Radisson.

Radisson has 18 hotels there, he said, and Friday's and Country Kitchen have about 10 restaurants apiece in the area.

FOCUS | VIEWPOINT

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Supplier mega-mergers pose dangers

Cash-rich Philip Morris' astounding $11.5 billion tender offer to acquire Kraft spotlights the dizzying pace of corporate raids on supplier companies. The results seem to be unhealthy for food-service operators.

The bid comes on the heels of Grand Metropolitan of Britain's dramatic $5.23 billion tender offer to acquire Pillsbury, a move that Pillsbury is fighting. Pillsbury had viewed Kraft as a possible white knight, and it is still conceivable that Kraft could try to top Grand Met's price, thereby making itself too heavy for Philip Morris.

At the same time Tyson Foods, by far the leading volume chicken processor, has launched a $920 million bid to acquire No. 5 Holly Farms and thereby stretch its chicken dominance. And Doskocil apparently has successfully completed its tender offer to acquire Wilson in a merger of two meat-supplier giants.

Realistically, the manufacturing, distribution, and operator sides of the business have been undergoing consolidations for years. Yet whenever a supplier company is swallowed up, the operator loses something in diversity of choice and the ability to deal with a supplier in personal terms on selection, quality, and pricing.

Food-service supplier divisions have progressed from stepchildren to equality with retail food divisions, but the merger mania rocking the suppliers could lead to more retail emphasis by the retail-oriented prospective parents. Of course, Philip Morris and Grand Met also have vast capital to pour into the food-service supplier divisions for faster growth if they so choose.

As Jim Peterson, 1988-89 president of the National Restaurant Association, warned recently: "We are partners with our suppliers. But now we find our suppliers being grabbed up. I'm not saying there's anything wrong with mergers.

"The jury is still out, and nobody knows what the outcome will be. But it's a troubling uncertainty."

Just three years ago Philip Morris acquired General Foods for $5.8 billion and now has almost $30 billion in total revenues, 80 percent still in cigarettes and the remainder in food brands. Combined with Kraft's $10 billion revenues, this would create by far the world's largest food company and biggest consumer products company — more than double Procter & Gamble's $18 billion volume. The $11.5 billion price offered by Philip Morris is topped only by Chevron's $13.4 billion 1984 acquisition of the Gulf Corp.

The figures here are almost too mind-boggling to contemplate. Kraft instinctively wants to protect its independence. But whether it can fend off Philip Morris' premium bid of $90 a share, far above Kraft's $60-a-share stock price at the time, is problematical.

Ironically, Philip Morris' bid for Kraft apparently takes the former out of the running to acquire Quaker Oats, which in turn has purchased the Continental Coffee Co., greatly stretching its reach in beverages. Philip Morris apparently was eying Quaker before reaching for the Kraft jewel.

Grand Met also was willing to pay a heavy premium in its $60-a-share bid for Pillsbury. Grand Met jumped in when Pillsbury was particularly vulnerable to a takeover. Pillsbury is fighting the offer, claiming that the corporation's potential value under a contemplated restructuring and capital-improvements plan is well above the $5.2 billion mark.

If Grand Met should succeed in its takeover effort, Pillsbury's Steak & Ale and Bennigan's would have to be sold since it would be illegal for Grand Met as a liquor distiller to own any restaurants that sell liquor.

We think it is better for Pillsbury, as a supplier company and chain operator, to remain independent of the British conglomerate. Philip L. Smith, Pillsbury's new chairman, has vowed to pour in capital expenditures to revitalize the performance of Burger King, which lagged under Pillsbury's previous policy of investing as little as possible in its chains.

Jeffrey Campbell, ousted as president of Pillsbury's restaurant group, was clearly a victim of this shortsighted policy. To a lesser extent, Kyle Craig, who was removed as chief of Steak & Ale and Bennigan's, also was a victim.

On the operator side, the TW Services conglomerate, which acquired Denny's Inc. last year, has been fighting a $1.1 billion acquisition offer from Coniston Partners, which owns 20 percent of the stock. Here it is in the best interests of Denny's, El Pollo Loco, Spartan Foods, and Canteen Corp. for TW Services to remain independent and thereby give chairman Frank Salizzoni a chance to keep momentum building with these chains.

While some people make a great deal of money in any of these mergers, one must again remember that bigger is often worse and that individuality and competitiveness must be preserved.

It is getting to the point where one colossus, such as Philip Morris or Grand Met, eventually may be the only company left, with everything consolidated into it. Let's hope that diversity somehow will still flourish and that enough suppliers will survive as entities to give operators freedom of choice.

LETTERS

Good names hard to come by: check on trademarks

Editor, NRN:

I was delighted to see Humphrey Yogart as "Name of the Week" in the Sept. 12 issue. As co-founder of Humphrey Yogart and licensor of the trademark and proprietary information, I found it wonderful to see recognition in the industry "bible."

However, having been subjected to trademark infringement, I am highly aware of the need to educate entrepreneurs regarding such matters. We spent a great deal of time and money over several years clearing the path for our trademark registration and consider it a valuable asset to our business. It concerns us that people just looking for a "clever" name (and even some attorneys!) assume that it is enough to check the corporate records in their area and feel free to proceed if there is no conflict.

You would be doing your readers a service to regularly print a notice in your "Name of the Week" section, stating that many business names are federally registered trademarks and should not be used without first doing a thorough federal trademark search.

Thank you for the mention and for your consideration of this suggestion.

—Maria Baker
Humphrey Yogart
Portland, Ore.

Tale of two Humphries: stores share like names

Editor, NRN:

Your "Name of the Week" in your Sept. 12, 1988, issue — Humphrey Yogart for a California yogurt shop — certainly intriged me.

It bears a striking resemblance to the brand name Humphreez Yogart, a trademark we registered for Brighams about 10 years ago, when I was vice president of marketing and manufacturing. At that time we operated more than 100 restaurants and ice-cream shops in the Boston area and were famous for our quality ice cream. We developed the first "dippable" frozen yogurt in the industry and named it "Humphreez Yogart" with the creative help of our advertising agency, Hill, Holliday, Connors and Cosmopolous.

—Jerome P. Lavely
vice president, Deli/Bakery Merchandising
First National Supermarkets Inc.
Maple Heights, Ohio

Consumer Reports not a bastion of integrity

Editor, NRN:

I was shocked to read in your Sept. 19 Editor's Corner ("When the consumer speaks, try to listen") that you feel the integrity of Consumer Reports is strong. And you say very few question the honesty of its efforts.

Sorry, this is devoid of integrity . . . It is just that so many people have been told to believe that it is honest that it is accented as gospel. The honesty of its efforts . . . I am sure you know that Consumers Union, totally financed by magazine subscriptions, they say, is in the forefront of far-left-leaning political activity, and very few, if any, of its subscribers realize they are contributing to a very, very liberal cause. And they never mention that in their subscription promotions.

I believe what I read in NRN, even though it has advertisers. You have integrity and a staff that will call it the way it is. Consumer Reports just needs a laxative.

—Sheldon M. Heiman
Burbank, Calif.

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